City Council Report

Meeting Date: 07/06/2004 Item No. 14 Goal: Short- and Long-term Economic Prosperity

Subject **ASU Center for New Technology and Innovation**

Request

The City Council is requested to:

1. Adopt Resolution No. 6523 authorizing the City to enter into a Real Estate Purchase Agreement (Agreement No. 2004-121-COS) with an affiliate of the Arizona State University Foundation (ASUF") for the acquisition of the former Los Arcos Mall site (approximately 42 acres; the "Property") for $41.5 million (plus closing costs), to nominate the City of Scottsdale Municipal Property Corporation ("MPC") as the "Buyer" under the Purchase Agreement, and to declare an emergency.
2. Adopt Resolution No. 6512 authorizing Agreement No. 2004-120-COS between the City and the Scottsdale Municipal Property Corporation to facilitate the acquisition of the Property by the MPC; to provide for the short term advance of funds by the City to the MPC; to approve the issuance of bonds by the MPC (not to exceed $42.0 million) to finance the acquisition and to pay real estate closing costs and bond finance costs; to authorize the purchase of the Property by the City from the MPC, and to declare an emergency.
3. Adopt Resolution No. 6524 authorizing Agreement No. 2004-119-COS, a ground lease of portions of the Property to ASUF for the development of the "ASU-Scottsdale Center for New Technology and Innovation", and to declare an emergency.
4. Approve Capital Budget transfers and expenditures within the Adopted FY04/05 Budget for the acquisition of the Property by the City from the MPC, not to exceed $42 million, representing the purchase price, and estimated closing costs and bond finance costs;
5. Approve Capital Budget transfer for the purpose of initial public infrastructure expenditures related to the Property, (e.g., site demolition, environmental remediation, grading, water and sewer lines, roadwork, street lighting, public art, etc.), from the Adopted FY04/05 Economic Investment Budget, not to exceed $9 million;
6. Consider a request by Vice Mayor Littlefield to establish a formal City taskforce to make recommendations relating to future development of the approximate 5 acres to be retained by the City.

The use of an Emergency Clause for Resolution Nos. 6523, 6512, and 6524, is required, in part, because the opportunity to acquire the Property from ASUF is subject to time constraints imposed by ASUF (and, in turn, the seller to ASUF) and requires immediate, effective action by the City.

Action Taken____

Related Policies, References:

- Council forms Los Arcos Redevelopment District -- 12/18/95
- Los Arcos Redevelopment Plan adopted -- 7/2/96
- Original Los Arcos Request for Proposals Issued -- 7/18/97
- Council Action on preferred Smith Group development option -- 2/5/02
- Council Action authorizing Agreement No. 2003-115-COS with Los Arcos Development for the development of a power center -- 7/2/03.
- City referendum overturning Agreement No. 2003-115-COS – 3/9/04
- Adopted Financial (Debt) Policies, Resolution No. 6488 – 5/17/04
- Economic Vitality Action Plan – 12/19/02

BACKGROUND

Arizona State University

The City is interested in establishing stronger relationships with Arizona State University. A variety of adopted City policies, such as the Economic Element of the General Plan and the Economic Vitality Strategic Plan, along with a number of other reports and initiatives, such as the "Which Way Scottsdale" report, and various City visioning exercises, have all talked about the need to establish greater collaboration with ASU and other organizations.

ASU, under the leadership of President Michael Crow, has embarked upon a plan to increase overall educational excellence, to significantly increase its standing as a national research facility, and to expand the University to meet the future needs of the state. ASU has announced plans to create 4 campuses – the Main Tempe campus; the ASU West campus focusing on a liberal arts undergraduate program; the ASU Polytechnic campus at Williams Gateway focusing on science, engineering, and technology programs; and the ASU Capitol Center in downtown Phoenix focusing on public administration, health, and communications.

Another key component of ASU's plans is the creation of a campus focusing on new technology, innovation, and creativity. This is envisioned as different than a typical research park (such as the existing ASU Research Park in Tempe). The focus is not just on new technology, but also on creativity and innovation in science, engineering, arts, culture, and education. While specifics are not yet available, preliminary indications suggest that ASU would look at moving programs to this facility such as Arizona Technology Enterprises, Technopolis, the Entrepreneurship Center, the Institute of Advanced Studies, and the Arts, Media, and Engineering Program.

The vision is that the combination of these new facilities, programs, and emphasis on educational excellence will transform ASU from being simply one of the largest universities in the country, to one of the largest and best universities. This will meet the needs of the growing Valley, both from an educational excellence perspective, and from a competitiveness and image perspective.

Los Arcos

The former Los Arcos Mall opened in 1969, and was the focal point of commercial activity in the southern part of the community for several decades. In the early 1990's the mall began to decline, and the mall owner and the City looked at different options for revitalizing the mall and the immediate area. The Council formed the Los Arcos Redevelopment District in late 1995, and adopted a Redevelopment Plan for the area in 1996. In July 1997, the City issued a Request for Proposals on a 90-acre project site focused on the approximate 40 acre mall site (it also included Los Arcos Crossing, Papago Plaza, and other adjacent properties); Los Arcos Development, LLC ("LAD", one of The Ellman Companies) which had purchased the mall in late 1996 was the only respondent to this RFP, and was selected by the City to enter into an exclusive negotiation period with the City's Redevelopment Office and Redevelopment Board. This ultimately led to LAD's proposal for the Coyote's hockey arena, but after a lengthy negotiation period, the decision was made to build that development in Glendale in March 2001. After this announcement, the City began a process of determining acceptable and feasible land uses for that site, which led to the hiring of the consultant team of Smith Group and Piper Jaffrey in May 2001. During the balance of 2001 and early 2002, the City and the consultants led an extensive community-based process, which resulted in a set of recommendations endorsed by Council. The focus of these recommendations was on the development of a community town center project, including neighborhood retail and services, some big box retail, a community event center, and potentially some higher density residential product. However, the City did not control the site, and LAD instead proposed a "power center" development for Los Arcos, anchored by Super WalMart, Sam's Club, and Lowe's Home Improvement; LAD proposed an upfront $42 million incentive package from the City to facilitate this project, later reduced to $15 million upfront with the balance paid over time. Neither of those options was acceptable to the City.

In early 2003, LAD approached the City with a new proposal. The development plan was the same as had been proposed the previous year (a power center anchored by WalMart, Sam's, and Lowe's), but with a new proposed financial structure which eliminated any upfront contribution, and which capped the investment at $36.75 million, thereby making the proposed transaction performance-based. On February 18, 2003, City Council approved a motion to enter into negotiations with LAD; on July 2, 2003, on a 4-3 vote, the City Council authorized a Development Agreement for that project with those terms. A citizen referendum challenged this Agreement, and on March 9, 2004 the citizens voted down the Development Agreement, thus canceling it.

The Scottsdale Municipal Property Corporation

The MPC is a nonprofit corporation created by the City in 1967 to finance the construction or acquisition of certain capital improvements for the use and benefit of the City. The MPC has agreed to issue and sell excise tax revenue bonds to finance its acquisition of the Property and has agreed to convey the Property to the City, which will then enter into a ground lease agreement with an affiliate of ASUF.

PROPOSAL

The ASU Foundation approached the City regarding the potential of building this new creativity campus on the Los Arcos site. ASUF has proposed the development of approximately 1.2 million square feet of space – about 90% would be office/ research space, and 10% retail and support services. This campus would be built in phases, with a schedule envisioning the first building opening within three years, and complete buildout required by 2028, but currently projected for approximately 2015. At buildout, ASU expects that there will be as many as 4,000 persons employed at this facility, most of them being relatively high wage "knowledge or creative class" workers.

In order to facilitate this project, the ASU Foundation has requested that the City purchase this site, enter into a long-term lease with the Foundation (or its affiliate), and provide the necessary site infrastructure. The Foundation has negotiated a purchase agreement with the owner of the site (LAD) and would purchase the site from them, and immediately sell it to the MPC for the same amount. The City was not involved in the negotiations between the ASUF and LAD relating to this transaction, and staff does not have any confirmed information as to how LAD plans to satisfy its property secured obligations to its lender (Price Legacy Corp.); however, the purchase agreement requires that the property must be conveyed free and clear of all monetary liens.

Key terms of the agreements are summarized below:

<u>Land Acquisition</u>

1. The ASU Foundation Scottsdale L.L.C. will purchase the site from LAD for $41.5 million; the site will be free of all monetary liens, and will be conveyed to ASUF on an "as-is" basis. Their purchase agreement calls for a close of escrow no later than July 30, 2004.
2. ASUF will immediately sell the property to the MPC on an "as-is" basis for $41.5 million, plus all closing costs. The MPC would then immediately convey title to the City.

<u>Ground Lease between ASUF and the City of Scottsdale</u>

1. <u>Parties</u>: The City will be the owner of the land (lessor), and will enter into a ground lease with the ASU Foundation Scottsdale L.L.C., a not-for-profit, limited liability company affiliate of the ASU Foundation (ASUF).
2. <u>Leased Premises</u>: While the City will acquire approximately 42 acres of land, the lease will only be for approximately 37 acres. The City is reserving approximately 2 acres on Scottsdale Road and approximately 3 acres east of 74th St. as future development opportunities.
3. <u>Project Name</u>: The project will be called the "ASU Scottsdale Center for New Technology and Innovation" (the "Center").
4. <u>Anticipated Development</u>: It is currently anticipated that the Center, when and if fully developed, will be comprised of a number of buildings and plaza/landscaped open space areas and will include approximately 1,200,000 sq. ft. of leasable space. In addition, the Center will have approximately 3000-4000 parking spaces, principally in above-ground and/or below-ground parking structures. The permitted FAR (floor area ratio) will be 0.8; maximum building height will be 60 feet.
5. <u>Total Development Cost:</u> ASUF currently projects total Center development costs to be approximately $250-$300 million.
6. <u>Development Schedule:</u> It is currently anticipated that the entitlements process will be completed by or before July 1, 2005 and that Infrastructure construction (as defined below) will have commenced by that time. Assuming that these preliminary activities are timely undertaken or completed, ASUF will be required to meet the following development timetable:
   - Commencement of construction of the first phase (not less than 150,000 sq. ft.) by or before: August 1, 2006
   - Completion of construction of the first phase (not less than 150,000 sq. ft.) by or before: August 1, 2007
   - Completion of construction of the second phase (not less than 150,000 sq. ft.) by or before: August 1, 2010

- An additional 150,000 sq. ft. (minimum) of leasable building area must be completed every three (3) years thereafter until complete build-out of the project.

Under this schedule, complete build-out is required by approximately 2028; complete build-out is projected for approximately 2015.

7. Lease Term: The term of the Lease will be 99 years. ASUF will have the right to extend the Lease for an additional 99 years.
8. Nature of the Center: ASUF will assure that not less than 51% of the leaseable area (exclusive of the retail area) of the first phase/building (at least 150,000 square feet) will be occupied by organizations or businesses whose work or activities involve technology, innovation or creativity. With regard to the development of the Center as a whole, ASUF will support the goals and mission of Arizona State University and, recognizing the need, from time to time, to modify the composition of the tenant mix to respond to changing market conditions and to protect ASUF's and the City's investment in the Center, ASUF will maintain the character as a technology, innovation and creativity Center, until at least one million leasable square feet are constructed, or until 2025, whichever is first to occur.
9. Remedy in the Event of Non-Performance: If ASUF is unable to develop the Center in conformity with the prescribed timetable or if the character of the Center does not comply with the requirements of the Lease, then the City will have the right to terminate the Lease as to all remaining undeveloped property.
10. City Expenditures Relating to the Center: The City will acquire the Los Arcos property for $41.5 million, plus closing costs, for a total investment estimated at no more than $42.0 million (exclusive of any debt service costs). The City will also provide demolition, environmental remediation (if any), and grading for the property, and construction or installation of streets, landscaping, utilities, street lighting, parking, public art, plazas, and other identified improvements (collectively referred to as "Infrastructure"). The total cost of the Infrastructure to be borne by the City shall not exceed $45.0 million. The City's total expenditure for land acquisition and improvements is thus capped at approximately $87.0 million (exclusive of financing costs), of which approximately $81.4 million is allocable to the leased premises (37 acres out of the total 42 acres).
11. City Approvals: All development on the leased premises will be subject to City zoning, design review, permitting and other approval processes. No fee waivers, tax abatements, or sales tax reimbursements will be granted with respect to development of the Center by ASUF.
12. Operation of the Center: ASUF will be responsible for and control all leasing, marketing, operations, financing, development and construction of the Center and will manage (directly or through property management professionals) all day-to-day operations, including parking garage operations, landscape maintenance, rent collections, janitorial and security services, etc. ASUF currently contemplates engagement of a master developer or development team (selected through an RFP process) to assist in the planning, design and operation of the Center among other strategies.
13. Rent/Recovery of City Investment: ASUF will pay to the City, on an annual basis, fifty percent (50%) of the net revenues generated from the Center. These payments will be (i) subject to an aggregate cap of $81.4 million; and (ii) will be computed after deducting from gross revenues received from Center tenants and visitors: (a) project-related operating and maintenance expenses; (b) debt service payments (principal, interest and impounds) relating to the Center; and (c) a reserve for tenant improvements and capital expenditures from the gross revenues (including parking revenues) received from Center tenants and

visitors. In the event of a refinancing or sale, any net proceeds will be shared equally by ASUF and the City.

14. Good Faith: All obligations of the parties shall be undertaken and performed in a reasonable manner and in good faith. The parties recognize, however, that rents charged to certain Center tenants may be well below market, consistent with the purpose of attracting such businesses to Scottsdale and encouraging such businesses to utilize the personnel, programs and facilities available at Arizona State University.
15. Dispute Resolution: The remedies of the parties in the event of a dispute will be expressly limited. Further, the Lease will provide for a mandatory (executive level) meet and confer process in the event of a dispute; for formal mediation if the meet and confer process does not result in resolution of the dispute; and for binding arbitration in the event that both the meet and confer and mediation processes are unsuccessful.

The proposed ground lease (contract No. 2004-119-COS) is included as Attachment 4.

City Financing

1. Ultimately, the City will pay for the land acquisition (including closing costs) for the proposed real estate purchase through issuance of City of Scottsdale Municipal Property Corporation (MPC) bonds, in amount not to exceed $42.0 million. These bonds will be repaid pursuant to an Agreement with the City from excise taxes or other unrestricted revenues – see proposed City Council Resolution No. 6512 (attachment 2), Agreement No. 2004-120-COS (attachment 5), Trust Indenture (attachment 7), and Continuing Disclosure Undertaking (attachment 8). Arizona Law precludes the use of property taxes to repay these bonds. Financial Services has reviewed the proposed bond issuance with the Scottsdale Municipal Property Corporation Board and they have agreed to the proposed bond issuance – reference adopted MPC Resolution No. 2004-2 (attachment 6). It is projected that the bonds would be issued with a 30-year amortization schedule, and may be issued as interest only in the initial years, to help compensate for lower revenues as the project is being built out. The bonds may also be issued subject to an early call provision (e.g. after 10 years).
2. Initial public infrastructure expenditures required by the ground lease agreement will be funded by Capital Budget transfer from Economic Investment funds allocated by City Council in the Adopted FY04/05 Budget. The initial transfer is for $9.0 million of Economic Investment funds. Capital improvement contracts will be approved by City Council at a future date.
3. The majority of the remaining public infrastructure costs for the balance of the project (primarily parking structures) will be needed in later years – currently estimated to be at least 4 years out. Funding for these expenditures will be determined as part of the budget discussions for the upcoming years – some of the required funds may be budgeted as part of the City's 5 year Capital Improvement Plan, or through other funds, or, if necessary, the City could issue additional MPC bonds.

The use of the emergency clause is being requested because of the need for the immediate purchase of the property by the MPC in order to meet the terms of the purchase agreement between LAD and ASUF, and to insure the ability of the MPC to issue and sell its bonds to repay the City for funds advanced in connection with the purchase.

ANALYSIS & ASSESSMENT

Economic and Fiscal Analysis. Staff has done an in-depth analysis of the potential economic and fiscal impacts of the proposed development. In summary, staff expects the following approximate impacts over the next 30 years:

Direct Revenues From Site:	
Lease Revenue from ASUF:	$81.4 mil.
Lease Revenue from other 5 acres:	8.0 mil.
Tax Revenues from project:	28.8 mil.
Subtotal:	$118.2 mil.
Indirect Revenues Resulting from Project:	
Increased Tax Revenues from Area:	$148.8 mil.
Total – All Direct/Indirect Revenues:	$267.0 mil.
Costs to support this project:	
Land Acquisition:	$42.0 mil.
Infrastructure improvements (maximum):	45.0 mil.
Estimated debt service on bonds:	38.0 mil.
Total Costs:	$125.0 mil.
NET BENEFIT (revenues less costs)	$142.0 mil.

Staff also looked at the fiscal impact of a number of alternative scenarios to this proposal. The three alternatives assumed 1.) all high density residential product, 2.) an all retail "power center" project, and 3.) a mixed-use scenario, which combined neighborhood retail, office, and high density residential. Under the same type of analysis process, all three alternatives suggested higher direct fiscal impacts, but lower indirect fiscal impacts.

Significant issues to be addressed. A number of issues have been raised by the community regarding this proposed transaction. The City has received comments from citizens which typically fall into the following general categories:

1. Timing: Concerns have been raised about the expedited nature of the decision on this major project, and the potential use of an Emergency Clause. Some citizens have suggested that the City should delay making any decision until the issue has been studied further. The timing and request for the use of an Emergency Clause are dictated by the terms of the purchase agreement, and by the desire of ASU to begin moving forward on this campus.
2. Land purchase price: Several comments have been received about the land sale price of $41.5 million. The City did commission an appraisal of the property 18 months ago, which showed an estimated value of $23.5 million; this appraisal was based on the assumption of the "highest and best use" being retail development. Additionally, the City was not a party to the negotiations

between the ASUF and LAD regarding the purchase price; the representatives of the Foundation who negotiated this have stated that they believe that this is the lowest price that LAD will sell this property for at this time. LAD, not Price Legacy Corp., currently controls the site.

3. Desire for retail and community services in the area: The most significant concern that has been raised is that many of the residents in this area feel that the City should be providing newer and a greater variety of retail goods and services to serve the residents of the area, rather than a major employment generator. While this project will have a retail/services component projected at about 130,000 square feet, it is anticipated that this project could be a major catalyst for revitalization of this area, and that many new and existing retailers and service providers may redevelop their facilities or move into the area. Staff is committed to working with adjacent commercial properties, such as Los Arcos Crossing, Papago Plaza, Fountain Plaza, and the K-Mart site, to try to facilitate reinvestment in those facilities which will provide the additional retail and services.

Policy Implications. The proposal for the ASU/Scottsdale Center for New Technology and Innovation is consistent with the General Plan land use designation of Mixed-Use Neighborhoods. The Center will include business, research, retail, and may include hotel uses. The mixed-use designation allows for flexibility in non-residential uses in conjunction with residential uses. The Mixed-Use Neighborhood is usually located in areas with strong access to multiple modes of transportation and major regional access and services, ideal for the corner of McDowell and Scottsdale Roads. The Land Use Element states: "Scottsdale will ensure a variety of living, working, and leisure opportunities through different land uses, vital neighborhoods, thriving business and tourism communities, and open spaces for people to recreate, reflect, and enjoy." This project is consistent with and promotes this goal for the corridor.

Some of the specific components and goals of the General Plan which this project meets would include:

- The Neighborhoods Element: (using) "redevelopment and revitalization efforts to provide for the long-term stability of Scottsdale's mature residential and commercial neighborhoods."
- The Community Mobility Element: "Live, work and play relationship in land use patterns that reduce the number and distance of auto dependent trips and are supported by mobility networks (such as mixed use projects or focused development near to non-automotive mobility systems)." In addition, the values section notes, "Transportation practices that support the community interests in maintaining economic vitality, protecting natural resources, and preserving neighborhood life."
- The Neighborhoods Element specifically references the Los Arcos Redevelopment Plan and the Economic Vitality and the Growth Areas Elements reference the Economic Vitality Action Plan; several of the General Plan elements reference Scottsdale Visioning/Shared Vision Report, and CityShape 2020 Comprehensive Report.
- And, the Economic Element, including: the redevelopment of mature commercial and residential areas; supporting and nurturing existing and emerging employment and economic cores; recognizing that a continuing, high quality educational system is critical; ensuring that economic sectors targeted by Scottsdale include health care services, biomedical research and development, <u>technology related research and development</u>, business and professional services, corporate and regional headquarters; and

acknowledging the redevelopment of employment centers is fundamental to the health of the Scottsdale job market.

This property is also located in one of the General Plan's designated "growth areas". The growth areas of the City are identified as areas of the community that are most appropriate for development focus. In growth areas the City can concentrate on improvements that will support planned concentration of a variety of uses (mixed uses), such as residential, office, commercial, tourism, and industrial uses. Growth areas are intended to focus new development into targeted areas that are most appropriate for integrating open spaces, natural resources, for accommodating a variety of land uses, and are oriented to multi-modal (transit, pedestrian, cycling, and automobile) activity. One of the goals/approaches of the Growth Areas Element promotes creating techniques that allow for mixed-use activity within designated growth areas. That is consistent with the goals of the Center and with the land use designation on this property.

Current zoning on the site is a combination of C-S (Regional Shopping Center) and C-3 (Highway Commercial). The city will initiate a rezoning process and consider alternative zoning or an overlay that can be customized for the specific nature of the project and that will meet community needs and match up with the General Plan's designations of mixed-use neighborhoods. This rezoning and eventual development review process will include a comprehensive community input component in addition to the mandatory public hearing process in accordance with the Community Involvement Element of the General Plan.

Community involvement. Due to the extremely high profile of this project, opportunities for public discussion and comment have been provided at the following public meetings:

City Council meeting on June 21st
Public Open House on June 24th
City Council meeting on June 28th

Additionally, information has been posted on the City's website, and this proposal has received significant coverage by the local media.

Neighborhood Involvement. To facilitate input from citizens and provide information directly from the City to the greatest number of citizens, a significant neighborhood involvement program is planned. City staff will work with ASUF and ASU public relations to form a connection with the neighborhoods.

The goal of the outreach and involvement program will focus on work with the surrounding neighborhood regarding 1.) a conceptual master plan for the general reinvestment opportunities and strategies along the McDowell and Scottsdale Road corridors; 2.) future utilization of the city owned property for development within this site; and, 3.) the public hearing process for the Zoning and Development Review stages of the property design and development. While much of this site is dedicated to the Center's research and innovation uses, there are significant public spaces envisioned that would tie together the Center and the surrounding neighborhoods.

Immediately following the July 6 City Council hearing, and throughout the rezoning and development process, a series of mailings, e-mail distributions and meetings will occur.

The outreach program will consist of the following components:

Mailings:
General information on the Arizona State University Center mailed to all residents and businesses within the area bound by: Thomas Road; McKellips; 64th Street; and Pima Road. This mailing will occur immediately following the July 6 City Council public hearing.

Bilingual newsletters with up to date information mailed on a regular basis to all residents and businesses within the established mailing area.

Public Meetings:
Neighborhood associations, civic groups, open meetings for the general public, church groups, PTO's will be contacted by City staff to initiate dialog and encourage meetings on this development. A speaker's bureau will be established to advertise the city's outreach initiative regarding this project.

Website:
Continue e-mail distribution and encourage feedback through a dedicated link with individual responses from city staff. Timely updates to the city website on project information and status will be a top priority.

Vice Mayor Littlefield's Request:
In addition, Vice Mayor Littlefield has requested that the Mayor and City Council approve a citizen "task force" of 9-15 members to provide input to the City on the uses for the 2 parcels (5 acres) that the City will retain. It is staff's understanding that the task force would hold public meetings to solicit citizen input, and would use this information to make non-binding suggestions to the City.

Resource Impacts

Available funding. Ultimately, the proposed real estate purchase will be funded by issuance of City of Scottsdale Municipal Property Corporation bonds, which will be repaid pursuant to an Agreement with the City from excise taxes or other unrestricted revenues – see proposed City Council Resolution No. 6512 (attachment 2). Arizona Law precludes the use of property taxes to repay these bonds. Financial Services has reviewed the proposed bond issuance with the MPC Board and they have agreed to the proposed bond issuance – see attached MPC Resolution No. 2004-2 (attachment 6) and Trust Indenture (attachment 7).

Initial public infrastructure expenditures required by the ground lease agreement will be funded by Economic Investment funds allocated by City Council in the Adopted FY04/05 Budget. Capital improvement contracts will be approved by City Council at a future date.

Staffing, workload impact. Deputy City Manager Ed Gawf will be the City's project manager. The City may have to retain a project engineer for the project, or to fill in behind staff assigned to the project, and a project planner for at least the first year when the City is obligated to provide the initial infrastructure, and when the site plan will be developed.

Maintenance requirements. The Developer will be solely responsible for all maintenance, operations, repair, utilities, insurance, and security of the buildings at the site. The only City obligations will relate to providing basic City services to the facility (i.e. police, fire, trash pickup) and maintenance of public assets (such as the streets, sidewalks, and public plazas).

Future budget/financial implications. Approval of this Agreement would obligate the City to pay for the land and required infrastructure. Capital Improvement Project fund and Debt Service fund budgets will incorporate expenditures for the proposed actions. Future infrastructure requirements and associated public infrastructure expenditures will be included in future year proposed budgets and adopted by City Council, once more definitive timing of the development is established. The City will continue to fund these public infrastructure requirements on a pay-as-you-go basis if funding is available or additional Municipal Property Corporation bonds may be issued, if necessary.

Cost recovery options. The ground lease with ASUF calls for a 50/50 sharing of net revenues (as defined) derived off this site, with a cap of $81.4 million (the estimated cost of land and infrastructure costs allocable of the leased premises). While there is no guarantee that the City will recover its investment, staff believes that based on the assumption of a reasonable level of performance by ASUF, the City could recover this amount within a 30-40 year timeframe, assuming full buildout of the site. Additionally, staff projections of direct tax revenue off of the site, plus lease or sale revenue from the 5 acres the City will retain, could provide an additional $30-40 million over 30 years, again assuming full buildout of the site.

STAFF RECOMMENDATION

Staff recommends approval of this transaction as proposed.

Proposed Next Steps: If the City Council should approve this Agreement, the next step would be closing on the land acquisition/lease transactions prior to July 30th. Once the City owns the land, the City intends to begin this summer or fall with demolition, environmental remediation, and site preparation, subject to normal procurement processes. In addition, the City will work with ASU on rezoning and site planning, and once completed will begin on construction of the infrastructure improvements (except for structured parking, which will occur in later phases).

RESPONSIBLE DEPT(S)

Economic Vitality

STAFF CONTACTS

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APPROVED BY

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ATTACHMENTS

1. Resolution No. 6523
2. Resolution No. 6512
3. Resolution No. 6524
4. Agreement No. 2004-119-COS
5. Agreement No. 2004-120-COS
6. Agreement No. 2004-121-COS
7. MPC Resolution No. MPC 2004-2
8. Trust Indenture
9. Continuing Disclosure Undertaking